

UNITED STATES DEPARTMENT OF AGRICULTURE
Rural Electrification Administration

726413

X THE RURAL TELEPHONE LAW

Following are highlights of H.R. 2960, an Act "to amend the Rural Electrification Act to provide for rural telephones and other purposes."

1. **AREA COVERAGE.** The Act declares it to be the policy of the Congress that "adequate telephone service be made generally available in rural areas...to the widest practicable number of rural users of such service." The Act further specifically requires that the REA Administrator, in making loans, obtain assurance that this policy will be carried out.
2. **LOANS.** The Act empowers the Administrator of REA to make loans to "persons now providing or who may hereafter provide telephone service in rural areas and to cooperative, non-profit, limited dividend, or mutual associations."
3. **TERM OF LOANS.** Loans may be for a term not to exceed 35 years at 2 percent interest.
4. **PURPOSE OF LOANS.** Loans may be made to finance the improvement, expansion, construction, acquisition and operation of telephone lines, facilities and systems to furnish and improve telephone service in rural areas. Not more than 40 percent of any loan may be used to refinance existing indebtedness where such refinancing is necessary to furnish and improve rural service.
5. **LOAN SECURITY.** As in the case of rural electrification loans, the Administrator must certify before approving a loan that the security for such a loan is adequate and that the loan will be repaid with interest within the time agreed upon.
6. **PREFERENCE.** Existing systems and cooperative, non-profit, limited dividend or mutual associations are entitled to preference. During the first year of the program, applications for loans from existing companies, both commercial and non-profit, must first be considered and acted upon, as against applications from new enterprises covering substantially the same proposed subscribers.
7. **"RURAL AREA."** The Act defines "rural area" to include areas outside cities, villages, or boroughs having a population in excess of 1500 inhabitants. However, loans may be made for facilities located in non-rural areas where these facilities are necessary to furnish or improve service to rural areas.
8. **COMPLIANCE WITH STATE LAW.** Applicants are required to comply with applicable State laws and requirements of State Commissions boards or other agencies having jurisdiction or authority over telephone service.
9. **NO DUPLICATION.** In cases where applicants for loans are not required to obtain certificates of convenience and necessity under State law, the Administrator must determine that no duplication of lines, facilities and systems providing reasonably adequate service will result.
10. **TELEPHONE SERVICE.** The Act defines telephone service to include not only the conventional telephone service over wires and poles but also radio telephone service.

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